

Message Text

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ACTION AID-20

INFO OCT-01 EUR-25 ADP-00 IGA-02 AF-10 IO-13 OMB-01 TRSE-00

EB-11 AGR-20 ABF-01 SS-15 NSC-10 L-03 CIAE-00 DODE-00

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DEPT PASS AID AND OTHER POSTS AS DESIRED

E.O. 11652: N/A

TAGS: EAID, FR

SUBJECT: FRENCH AID POLICY

1. DURING AUGUST 2 CABINET MEETING PRESIDED OVER BY PRESIDENT POMPIDOU, GOF DECIDED TO CONTINUE TO INCREASE ITS ASSISTANCE TO DEVELOPING COUNTRIES. NEW ELEMENTS OF FRENCH AID POLICY ARE AS FOLLOWS:

1) TOTAL FRENCH OFFICIAL AID WILL CONTINUE TO INCREASE, AND NON-FRANC ZONE COUNTRIES WILL RECEIVE AN INCREASINGLY LARGE SHARE OF PUBLIC FUNDS (AID TO NON-FRANC ZONE COUNTRIES HAS ALREADY RISEN FROM 8 PER CENT OF TOTAL IN 1965 TO 15.4 PER CENT IN 1972). HOWEVER, PRIORITY POSITION OF FRANCOPHONE AFRICAN COUNTRIES WILL BE MAINTAINED.

2) TERMS OF FRENCH LOANS TO 25 LEAST DEVELOPED LDC'S WILL BE EASED. NEW TERMS WILL BE BASED ON ECONOMIC LEVEL OF EACH COUNTRY, BUT IN GENERAL, VARY BETWEEN 15-30 YEAR REPAYMENT AT THREE TO FOUR PER CENT INTEREST.

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3) FRENCH CONTRIBUTIONS TO INTERNATIONAL AID ORGANIZATIONS,

PARTICULARLY TO UN AND WFP, WILL BE PROGRESSIVELY INCREASED
IN 1974 AND 1975.

4) THE GOF'S INVESTMENT GUARANTY PROGRAM WHICH IS DESIGNED
TO PROTECT FRENCH INVESTORS AGAINST POLITICAL RISKS WILL
BE REVISED TO SIMPLIFY THE SYSTEM NOW IN EFFECT AND TO
ENCOURAGE INCREASED PRIVATE INVESTMENT IN THE LESS-DEVELOPED
WORLD.

2. COMMENT: FROM CONVERSATIONS WITH SENIOR FRENCH
OFFICIALS, IT SEEMS CLEAR THAT GOF IS ADJUSTING ITS AID
POLICIES TO PUT ITS MONEY WHERE ITS FUTURE ECONOMIC AND POLITICAL
INTERESTS LIE. IN THE AFTERMATH OF THE UNSATISFACTORY
NEGOTIATIONS WITH TWO OF ITS FORMER COLONIES (MAURITANIA
AND MADAGASCAR), AND WITH PROSPECT OF FURTHER EROSION OF
ITS POLITICAL INFLUENCE IN ITS FORMER AFRICAN COLONIES,
GOF POSITION IN FRANCOPHONE AFRICA IS DECLINING.
HOWEVER, GIVEN RELATIVE LACK OF EXPERIENCE IN DEALING
WITH OTHER AREAS OF DEVELOPING WORLD, WE ANTICIPATE THAT INCREASE
OF AID TO NON-TRADITIONAL COUNTRIES WILL PROCEED RELATIVELY
SLOWLY. SIMILARLY, WE DO NOT EXPECT THERE TO BE DRAMATIC
INCREASE IN FRENCH CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS.
GOF REMAINS SKEPTICAL ABOUT EFFICACY OF MANY UN PROGRAMS
AND WILL PROBABLY BE SELECTIVE IN ITS CONTRIBUTIONS, CHOOSING
AREAS SUCH AS FAMILY PLANNING TO WHICH IT ATTACHES PRIORITY.
SECONDARY EFFECT OF DIVERSIFICATION OF FRENCH AID COULD
ALSO BE INTENSIFICATION OF COMMERCIAL COMPETITION WITH US
AS FRENCH INVESTORS AND TRADERS SEEK TO TAKE ADVANTAGE OF
OPENINGS ACHIEVED BY NEW FRENCH AID STRATEGY. DECON

8/31/74.

STONE

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